

MEDINA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
JUNE 30, 2008

**MEDINA TOWNSHIP
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

TABLE OF CONTENTS

	<u>Page</u>
 <u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management Discussion and Analysis	2 - 6
 <u>Basic Financial Statements:</u>	
Government – Wide Statement of Net Assets	7
Government – Wide Statement of Activities	8
 <u>Fund Financial Statements:</u>	
Governmental Fund Balance Sheet	9
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	10
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Fiduciary Funds – Statement of Net Assets	13
Notes to Financial Statements	14 - 20
 <u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
Budgetary Comparison Schedule – General Fund	21 - 22

PHILIP R. RUBLEY

— Certified Public Accountant —

133 W. MAIN STREET • MORENCI, MI 49256

PHONE 517/458-2274

FAX 517/458-6353

PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

December 23, 2008

Board of Trustees
Medina Township
Lenawee County, Michigan

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Medina Township, Lenawee County, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

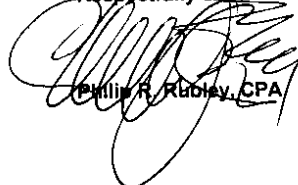
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Medina Township, Lenawee County, Michigan as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and 21 through 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Medina Township, Lenawee County, Michigan basic financial statements.

Respectfully Submitted,



Philip R. Rubley, C.P.A.

MEDINA TOWNSHIP
Management's Discussion and Analysis
June 30, 2008

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of Medina Township on a government-wide basis. They are designed to present a longer-term view of the Township's finances. Fund financial statements, also slightly changed from prior years, follow the above-mentioned statements and illustrate how the services provided by the Township were financed in the short term, as well as what remains for future spending. Additionally, fund financial statements report the Township's operations in more detail than the government-wide financial statements.

Overview of the Financial Statements

The Township's basic financial statements are comprised of three components:

- A) Government-wide financial statements.
- B) Fund financial statements.
- C) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Township maintains 1 individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund.

The Township adopts an annual appropriated budget for its general fund. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

FIDUCIARY FUNDS. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

MEDINA TOWNSHIP
Management's Discussion and Analysis
June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, health and welfare and community and economic development and other functions.

The government-wide financial statements include the primary government Medina Township and its component unit the East Lime Creek Cemetery.

FUND FINANCIAL STATEMENTS. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories; governmental funds and fiduciary funds.

GOVERNMENTAL FUNDS. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

OTHER INFORMATION

The Township has reported under required supplementation information, information about the General Fund, Expenditures and Changes in Fund Balances.

MEDINA TOWNSHIP
Management's Discussion and Analysis
June 30, 2008

Medina Township Statement of Net Assets

	<u>Governmental</u> <u>Activities</u>	<u>Component Unit</u> <u>East Lime Creek</u> <u>Cemetery</u>
	<u>2008</u>	<u>2008</u>
<u>ASSETS</u>		
Current Assets	\$438,041	\$3,269
Non-current Assets:		
Capital Assets	<u>19,312</u>	<u>5,000</u>
Total Assets	<u>\$457,353</u>	<u>\$8,269</u>
 <u>LIABILITIES</u>		
Accounts Payable	<u>\$ 43,462</u>	<u>\$ ---</u>
Total Liabilities	<u>43,462</u>	<u>---</u>
 <u>NET ASSETS</u>		
Invested in Capital Assets	19,312	5,000
Unrestricted - Undesignated	282,086	3,269
Restricted for Roads and Bridges	112,293	---
Unrestricted - Designated- Cemetery	<u>200</u>	<u>---</u>
Total Net Assets	<u>\$413,891</u>	<u>\$8,269</u>

The Township's combined net assets increased 16.1 percent from a year ago.
Increasing by \$57,326.

MEDINA TOWNSHIP
Management's Discussion and Analysis
June 30, 2008

Statement of Government-Wide Activities

	<u>Governmental</u> <u>Activities</u>	<u>Component Unit</u> <u>East Lime Creek</u> <u>Cemetery</u>
	<u>2008</u>	<u>2008</u>
<u>REVENUE</u>		
Program Revenue:		
Charges for Services	\$ 13,429	\$ ---
Metro-Act	4,381	---
Contribution Local Units of Government	---	750
General Revenue:		
Property Taxes	194,788	---
Intergovernmental	85,252	---
Interest	11,997	---
Interest Income	---	20
Total Revenue	<u>309,847</u>	<u>770</u>
<u>PROGRAM EXPENSES</u>		
General Government	67,226	---
Public Safety	31,512	---
Public Works	141,183	---
Community & Economic Development	1,001	---
Other Functions	11,599	---
Cemetery	---	700
Total Program Expenses	<u>252,521</u>	<u>700</u>
Change in Net Assets	57,326	70
Net Assets – Beginning of Year	<u>356,565</u>	<u>3,199</u>
Net Assets – End of Year	<u>\$413,891</u>	<u>\$3,269</u>

MEDINA TOWNSHIP
Management's Discussion and Analysis
June 30, 2008

Governmental Activities

The Township's expenses remained fairly constant with prior years. The major variable being highway projects.

The Township's Funds

Our analysis of the Township's major funds begins on Page 9. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purpose as well as show accountability for certain activities. The Township's major fund for 2008 is the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township administration and Township Board monitor the budget to take into account unanticipated events that occur during the year. There were no significant events affecting the budget.

Capital Asset and Debt Administration

At the end of 2008, the Township had \$43,427 invested in capital assets, including land, buildings, and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements but are accounted for by Lenawee County, Michigan.

Economic Factors and Next Year's Budget and Rate

Medina Township is in rural Lenawee County, Michigan a farm community. Anticipated property tax increases and growth are not expected. In addition, State revenue sharings, which represents 28.2 percent of the General Fund budget, is likely to decrease, because of the State's current economic state. This will require close tabs on expenditures for the upcoming year. Adjustments will be made to mirror the revenue base, ensuring the continuation of the trend of excess revenues over expenditures.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 12284 Ingall Hwy., Morenci, Michigan 49256.

MEDINA TOWNSHIP
Government Wide Statement of Net Assets
June 30, 2008

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>East Lime Creek Cemetery</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$404,027	\$3,269
Property Tax Receivable	737	---
Accounts Receivable	27,888	---
Interest Receivable	640	---
Prepaid Expenses	4,749	---
Capital Assets -		
Non-Depreciated	1,000	5,000
Capital Assets -		
Net of Depreciation	<u>18,312</u>	<u>---</u>
Total Assets	<u>\$457,353</u>	<u>\$8,269</u>
<u>LIABILITIES</u>		
Accounts Payable	<u>\$ 43,462</u>	<u>\$ ---</u>
Total Liabilities	<u>43,462</u>	<u>---</u>
<u>NET ASSETS</u>		
Invested in Capital Assets	\$ 19,312	\$5,000
Unrestricted - Undesignated	282,086	3,269
Restricted for Roads and Bridges	112,293	---
Unrestricted - Designated Cemetery	<u>200</u>	<u>---</u>
Total Net Assets	<u>\$413,891</u>	<u>\$8,269</u>

The notes to financial statements are an integral part of these statements.

Page 7

MEDINA TOWNSHIP
Government Wide Statement of Activities
Year Ended June 30, 2008

		<u>Program Revenues</u>		
<u>FUNCTIONAL PROGRAMS</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue</u>
Governmental Activities:				
General Government	\$ 67,226	\$ 8,699	\$ ---	\$ (58,527)
Public Safety	31,512	4,730	---	(26,782)
Public Works	141,183	---	4,381	(136,802)
Community and Economic Development	1,001	---	---	(1,001)
Other Functions	11,599	---	---	(11,599)
Total Governmental Activities	<u>\$252,521</u>	<u>\$13,429</u>	<u>\$4,381</u>	<u>\$ (234,711)</u>
Change in Net Assets				<u>\$ (234,711)</u>
General Revenues:				
Property Taxes				194,788
Intergovernmental Revenues				85,252
Interest Income				<u>11,997</u>
Total General Revenues				<u>292,037</u>
Change in Net Assets				<u>57,326</u>
Net Assets, Beginning of Year				<u>356,565</u>
Net Assets, End of Year				<u>\$ 413,891</u>
 <u>COMPONENT UNIT</u>				
<u>EAST LIME CREEK CEMETERY</u>				
Cemetery Activities	<u>\$ 700</u>	<u>\$ ---</u>	<u>\$ 750</u>	<u>\$ 50</u>
Total	<u>\$ 700</u>	<u>\$ ---</u>	<u>\$ 750</u>	<u>\$ 50</u>
Change in Net Assets				<u>\$ 50</u>
General Revenues:				
Interest Income				<u>20</u>
Total General Revenues				<u>20</u>
Change in Net Assets				<u>70</u>
Net Assets, Beginning of Year				<u>8,199</u>
Net Assets, End of Year				<u>\$ 8,269</u>

The notes to financial statements are an integral part of these statements.

MEDINA TOWNSHIP
Governmental Fund Balance Sheet
June 30, 2008

	General Fund	Total Governmental Funds
<u>ASSETS</u>		
Cash and Cash Equivalents	\$404,027	\$404,027
Taxes Receivable -		
Personal Property	737	737
Pre-Paid Insurance	4,749	4,749
Accounts Receivable	27,888	27,888
Interest Receivable	<u>640</u>	<u>640</u>
Total Assets	<u>\$438,041</u>	<u>\$438,041</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 43,462	\$ 43,462
Deferred Revenue	<u>737</u>	<u>737</u>
Total Liabilities	<u>44,199</u>	<u>44,199</u>
<u>FUND BALANCE</u>		
Unreserved		
Undesignated	281,902	281,902
Designated Cemetery	200	200
Restricted Roads and Bridges	<u>111,740</u>	<u>111,740</u>
Total Fund Balance	<u>393,842</u>	<u>393,842</u>
Total Liabilities and Fund Balance	<u>\$438,041</u>	<u>\$438,041</u>

The notes to financial statements are an integral part of these statements.

Page 9

MEDINA TOWNSHIP
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets
For The Year Ended June 30, 2008

Fund Balances – Total Governmental Funds	\$393,842
---	-----------

**Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:**

Capital assets used in governmental activities are not
financial resources and therefore are not reported in
the funds.

ADD - Capital Assets	43,427
----------------------	--------

DEDUCT - Accumulated Depreciation	(24,115)
-----------------------------------	----------

Deferred revenue - reflected as earned in net assets of governmental activities	<u>737</u>
--	------------

Net Assets of Governmental Activities	<u><u>\$413,891</u></u>
--	-------------------------

MEDINA TOWNSHIP
Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance
For The Year Ended June 30, 2008

	General Fund	Total Governmental Funds
<u>REVENUES</u>		
Property Taxes	\$194,051	\$194,051
Licenses and Permits	4,730	4,730
Intergovernmental	85,252	85,252
Charges for Services	8,529	8,529
Interest and Penalties	11,997	11,997
Other	170	170
Metro Maintenance	<u>4,381</u>	<u>4,381</u>
Total Revenues	<u>309,110</u>	<u>309,110</u>
<u>EXPENDITURES</u>		
Current		
General Government	66,621	66,621
Public Safety	31,512	31,512
Public Works	141,183	141,183
Community & Economic Development	1,001	1,001
Other Functions	<u>11,599</u>	<u>11,599</u>
Total Expenditures	<u>251,916</u>	<u>251,916</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	57,194	57,194
Fund Balance, Beginning of Year	<u>336,648</u>	<u>336,648</u>
Fund Balance, End of Year	<u>\$393,842</u>	<u>\$393,842</u>

The notes to financial statements are an integral part of these statements.

Page 11

MEDINA TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For The Year Ended June 30, 2008

Net Change in Fund Balances -- Total Governmental Funds	\$57,194
--	----------

**Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:**

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

DEDUCT - Depreciation Expense	(605)
Deferred revenue	<u>737</u>
Change in Net Assets of Governmental Activities	<u>\$57,326</u>

MEDINA TOWNSHIP
Fiduciary Funds – Statement of Net Assets
June 30, 2008

	Tax Collection Fund
<u>ASSETS</u>	
Cash	<u>\$14,901</u>
Total Assets	<u>\$14,901</u>
<u>LIABILITIES</u>	
Due to Other Governmental Units	<u>\$14,901</u>
Total Liabilities	<u>\$14,901</u>

The notes to financial statements are an integral part of these statements.

MEDINA TOWNSHIP
Notes to Financial Statements
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Medina Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Medina Township.

A. Reporting Entity

Medina Township is governed by an elected board. The accompanying financial statements present the government and its component unit for which government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statement.

Discretely Presented Component Unit - The East Lime Creek Cemetery was created as a separate legal entity. The purpose of the East Lime Creek Cemetery is to maintain and protect the cemetery for use by local residents, etc. The Township approves the activities of the cemetery. Any borrowings, etc. must be approved by the Township. Separate financial statements for the component unit are not available.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Medina Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and

MEDINA TOWNSHIP
Notes to Financial Statements
June 30, 2008

expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, intergovernmental revenue fees and licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following fund types:

The Fiduciary Funds account for assets held for other governments in an agency capacity, including tax collection, and other project funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government - wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government -wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

MEDINA TOWNSHIP
Notes to Financial Statements
June 30, 2008

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and any possible contingent assets and liabilities as of the financial statement date. Actual results could differ from these statements.

E. Assets, Liabilities, and Net Assets or Equity

1. **Bank Deposits and Investment** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. **Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

3. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

4. **Capital Assets** – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

MEDINA TOWNSHIP
Notes to Financial Statements
June 30, 2008

5. **Fund Equity** – In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted for use for a specific purpose. Medina Township currently has a road and bridge millage restricted for road and bridge work. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. **Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles accepted in the United States of America (GAAP) for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the end of June of each year, the Board presents the proposed budget for review and holds public hearings and a final budget adopted.

The appropriated budget is prepared by fund, function and department.

The general government function of the General Fund is treated as a department for budgetary purposes and its budget is adopted at the object level. No significant adjustments were made to the budget.

- B. **Excess of Expenditures Over Appropriations In Budgeted Funds** - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2008, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

There were no excess of amounts appropriated for the year ended June 30, 2008.

MEDINA TOWNSHIP
Notes to Financial Statements
June 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS

The Township has the following deposits which are carried at cost plus interest. The Township does not have a deposit policy. The Township investments are in accordance with statutory authority.

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$115,101
Uninsured and Uncollateralized	<u>303,827</u>
	<u>\$418,928</u>

The above amounts include fiduciary funds of \$14,901.

CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk, is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. As of June 30, 2008 - \$303,827 of the Township's bank balance of \$418,928 was exposed to custodial risk.

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

Statement of Net Asset:	
Cash and Cash Equivalents	<u>\$404,027</u>
	<u>404,027</u>
 Statement of Fiduciary Net Asset:	
Agency Funds:	
Cash and Cash Equivalents	<u>14,901</u>
	<u>14,901</u>
	<u>\$418,928</u>

Concentration of Credit Risk

State Law limits allowable investments but does not limit concentration of credit risk. The Township's investment policy does not have specific limits in excess of State Law on concentration of credit risk.

Interest Rate Risk

State Law limits the allowable investment and maturities of some investments. The Township's investment policy mirrors the State statute as indicated above. The Township's investment policy does not address interest rate risk. All investments are short term.

Credit Risk

State Law limits investments as indicated above. The Township's investment policy does not have specific limits in excess of the State Law on investment credit risk.

MEDINA TOWNSHIP
Notes to Financial Statements
June 30, 2008

NOTE 4 – RECEIVABLES

Receivables as of year-end for the government are as follows including applicable allowances for uncollectible accounts.

General Fund

Taxes Receivable	\$ 737
	<u>\$ 737</u>

NOTE 5 – CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets				
Not Being Depreciated:				
Land	\$ 1,000	\$ ---	\$ ---	\$ 1,000
Capital Assets				
Being Depreciated:				
Building	35,680	---	---	35,680
Equipment	<u>6,747</u>	<u>---</u>	<u>---</u>	<u>6,747</u>
Total Capital Assets				
Being Depreciated	<u>42,427</u>	<u>---</u>	<u>---</u>	<u>42,427</u>
Less Accumulated				
Depreciation For:				
Building	(16,763)	(605)	---	(17,368)
Equipment	<u>(6,747)</u>	<u>---</u>	<u>---</u>	<u>(6,747)</u>
Total Accumulated				
Depreciation	<u>(23,510)</u>	<u>(605)</u>	<u>---</u>	<u>(24,115)</u>
Total Capital				
Assets, Being				
Depreciated, Net	<u>18,917</u>	<u>(605)</u>	<u>---</u>	<u>18,312</u>
Governmental Activities				
Capital Assets, Net	<u>\$19,917</u>	<u>\$ (605)</u>	<u>\$ ---</u>	<u>\$ 19,312</u>

Depreciation expense was charged to Governmental Activities - general government for \$605 at June 30, 2008.

MEDINA TOWNSHIP
Notes to Financial Statements
June 30, 2008

NOTE 6 – RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2008, the government carried insurance through commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from those risks that exceeded its coverage in any of the past three fiscal years.

NOTE 7 – PROPERTY TAXES

The government's property taxes are levied each year, on the taxable valuation of property located within the township. These taxes are due by February 14, with final collection date of February 28, before they are added to the county tax rolls.

Delinquent real property taxes are reimbursed to the local unit through a county revolving tax fund.

The township levies of \$35,204. Additional assessment for Advance Life Support of \$36,525, and for Roads and Bridges of \$158,741.

NOTE 8 – PENSION

The government has no pension, and has elected to be inclusive in the social security system.

NOTE 9 – OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2008, the government carried insurance through commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

MEDINA TOWNSHIP
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2008

	Budget Original	Budget Final	Actual	Actual Over (Under) Final Budget
<u>BEGINNING OF YEAR</u>				
<u>FUND BALANCE</u>	\$336,648	\$336,648	\$336,648	\$ ---
Resources Inflows:				
Property Taxes	194,125	194,125	194,051	(74)
Intergovernmental	83,485	83,485	85,252	1,767
Licenses and Permits	7,400	7,400	4,730	(2,670)
Charge for Services	8,500	8,500	8,529	29
Interest	2,501	2,501	11,997	9,496
Other	50	50	170	120
Metro Maintenance	---	---	4,381	4,381
Total Available For Appropriation	<u>632,709</u>	<u>632,709</u>	<u>645,758</u>	<u>13,049</u>
<u>CHANGES TO APPROPRIATIONS (Outflows)</u>				
General Government:				
Township Board	8,423	8,423	7,352	1,071
Supervisor	9,797	9,797	9,312	485
Elections	1,443	1,443	617	826
Professional Fees	4,000	4,000	1,727	2,273
Clerk	14,118	14,118	12,594	1,524
Treasurer	17,277	17,277	16,813	464
Board of Review	1,567	1,567	865	702
Township Hall	1,600	1,600	1,543	57
Assessor	12,741	12,741	12,067	674
Cemetery	5,734	5,734	3,731	2,003
Total General Government	<u>76,700</u>	<u>76,700</u>	<u>66,621</u>	<u>10,079</u>
Public Safety:				
Inspections	5,819	5,819	3,932	1,887
Fire	29,580	29,580	27,580	2,000
Police	1,860	1,860	---	1,860
Total Public Safety	<u>37,259</u>	<u>37,259</u>	<u>31,512</u>	<u>5,747</u>
Public Works:				
Drains	4,150	4,150	4,150	---
Highways & Bridges	463,658	463,658	135,409	328,249
Annual Clean-up	1,625	1,625	1,624	1
Total Public Works	<u>469,433</u>	<u>469,433</u>	<u>141,183</u>	<u>328,250</u>

MEDINA TOWNSHIP
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2008

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Community & Economic Development:				
Zoning Board	<u>2,338</u>	<u>2,338</u>	<u>1,001</u>	<u>1,337</u>
Total Community & Economic Development	<u>2,338</u>	<u>2,338</u>	<u>1,001</u>	<u>1,337</u>
 Other Functions	 <u>14,173</u>	 <u>14,173</u>	 <u>11,599</u>	 <u>2,574</u>
Total Changes to Appropriations	<u>599,903</u>	<u>599,903</u>	<u>251,916</u>	<u>347,987</u>
End of The Year Fund Balance	<u>\$ 32,806</u>	<u>\$ 32,806</u>	<u>\$393,842</u>	<u>\$361,036</u>

PHILIP R. RUBLEY

— Certified Public Accountant —

133 W. MAIN STREET • MORENCI, MI 49256

PHONE 517/458-2274

FAX 517/458-6353

PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

December 23, 2008

**Township Board
Medina Township
Lenawee County, Michigan**

We have examined the financial statements of the Medina Township, Lenawee County, Michigan dated December 23, 2008. As a part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statement and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Township's system of internal accounting control for the year ended June 30, 2008, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

Statement on Auditing Standards Pronouncement 112 requires us as auditors to communicate what we determine to be significant deficiencies and material weaknesses to management and those charged with governance in regards to internal control matters.

A significant deficiency is a control deficiency or combination of control deficiencies that creates the remote likelihood that a misstatement of the Township's financial statements is more than inconsequential and will not be prevented or detected on a timely basis by employees in the normal course of business.

Based on this criteria the following comments are in this category:

1. SEGREGATION OF DUTIES

Because of the size and number of personal segregation of duties is a significant deficiency. These means at the basic level, no single individual should have control over two or more phases of a transaction or operation in the accounting function.

We feel however that because of management's oversight, that this is not a material weakness in the control system.

2. ACCOUNTING FUNCTIONS

Under SAS 112 we must determine whether the Township is able to write their own audit report/financial statements in compliance with generally accepted accounting principles and auditing standards. We believe based on the limited personnel, etc, is not obtainable.

OTHER MATTERS FOR CONSIDERATION

These comments are not significant deficiencies but are suggestions to improve your existing accounting and control systems.

1. DEPOSIT POLICY

Consider establishing a policy to deposit funds in more than one bank to obtain additional FDIC insurance and reduce your custodial risk.

2. FIXED ASSETS

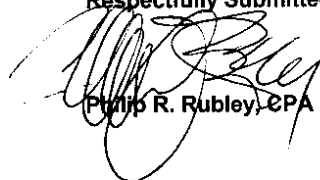
Maintain or continue to maintain any deletions of assets or purchases of assets subject to capitalization (over \$1,000.00)

**Township Board
Medina Township
December 23, 2008
Page 3**

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated December 23, 2008, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Respectfully Submitted,



Philip R. Rubley, CPA

PRR/cab